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THE

Financial Situation in India,

AS EXPOSED IN THE

Budget Statement for 1886-87.

BY

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London:

P. S. KING & SON, PARLIAMENTARY AGENCY,
CANADA BUILDING, KING STREET, WESTMINSTER.

1887.

PRICE SIXPENCE.



LONDON :
PRINTED BY WITHERBY AND CO.,
325A, HIGH HOLBORN, W.C.

PREFACE.

I HAVE endeavoured, in the following pages, to draw the attention of the public to the great danger with which our Indian administration is menaced, partly from the continued depreciation of silver, but mainly from the severe strain to which the finances of India are being subjected in the execution of the frontier policy suddenly adopted in the summer of 1885.

I am aware that, in my isolated position, the task I have undertaken is one which I cannot hope, unaided, to fulfil with any degree of success ; before entering on it, therefore, I appealed to those who are possessed of the administrative experience and political influence which I lack, to raise their voices on this critical occasion for the protection of the people of India. Among those to whom my appeal was made was the Marquis of Ripon, than whom no statesman perhaps is better acquainted with the difficult questions of Indian finance, and with the bearings of the frontier policy which is at the present time being pursued in India. I laid before his Lordship the particular circumstances which, in my estimation, constituted a most pressing danger to the finances of the country ; and I transcribe here my last letter on the subject (having obtained his Lordship's permission to do so), in the hope that its perusal may induce all who are interested in the safety and welfare of our Indian Empire, to bestow some thought on the grave questions which I have endeavoured to elucidate. My letter of 7th January last was as follows :—

“ I had the honour of addressing your Lordship in November last on the danger which threatened the finances of India in consequence of the excessive expenditure which was going on under the frontier policy adopted in 1885. In the execution of that policy railways, which were destined to facilitate the extension of the inland trade of India, have been suspended, and the funds intended for their construction have been diverted to works of a military character ; while a heavy and permanent addition has been made to the military charge for increasing the numerical strength of the Indian Army.

“ The financial result of these operations in the present year, 1886-87, is an estimated increase of £9,415,500 to the funded debt of India ; and as the expenditure needed for giving effect to the policy in question seems of a permanent character, it would be vain to look for any better result next year or in years following, so long as that policy is maintained.

“ On the other hand, nothing has been declared that can justify the adoption of a policy so entirely opposed to the views of the most eminent authorities, expressed under official responsibility, as to the line which should be followed in the defence of our North-Western frontier in India.

"The Indian people who suffer under these conditions are not allowed a voice in the matter, while Parliament and the public in this country, although responsible for and deeply interested in the safety and prosperity of India, seem too much engrossed with home affairs to bestow on Indian questions, however important, the serious and sustained consideration which they deserve and, in the present conjuncture, so greatly need.

"This state of things cannot fail to be a source of the deepest concern to all who perceive the danger, and I trust that under these circumstances your Lordship will not only pardon the liberty I have taken in once more drawing your attention to the subject, but will raise your voice and grant your valuable aid for the protection of the people of India.

"I would venture to submit for your Lordship's consideration, whether, in the present position of the question, there is not a peculiar responsibility resting on those who, having held high office in the Government of India, have remained clear in their conviction that the ground so firmly held by all the Members of Lord Lawrence's and Lord Mayo's Governments represents the only safe and practicable frontier policy for India.

"Your Lordship was good enough, in acknowledging my letter of 17th November last, to say that you would read it with care and interest ; and I have no doubt that a full consideration of the causes which have brought about the present critical situation in India will convince your Lordship of the urgency there exists for arresting, as promptly as possible, an evil which is undermining, and threatens soon to overwhelm, the resources of our great dependency."

Lord Ripon, in his reply, said :—

"I beg to acknowledge the receipt of your letter of yesterday, on the important subject of Indian finance. I am afraid there is not much chance of gaining the attention of the public at this moment to the difficult and complicated questions connected with it."

Another eminent statesman of Indian experience to whom I appealed was Lord Hobhouse, and his reply was as follows :—

"The views which I formed, partly before going to India, partly from experience in India, as to our right policy on the N.-W. frontier, have been printed and published. Subsequent reflection has not weakened, but strengthened them. In their main outlines they are as follows: The danger of invasion or serious disturbance by the Russians is enormously exaggerated ; if there be any real danger, it is much more of a political than a military character. The way to meet it, is not to push military outworks beyond the Indian frontier and into the wilds of Central

Asia : such operations only expose us, at far more serious disadvantage, to the very dangers which are imagined for us on the frontier of India. Our true security will be found in our treating the Indian peoples so that they shall have no good cause for discontent. Our greatest danger in India is the temptation to excessive expenditure, with corresponding taxation. Light taxation is an essential condition of contentment, and that is impossible with enormous military expenditure.

"Holding these views, I entirely sympathise with your alarm at the policy we are pursuing on the N.-W. frontier, and I look with dismay on the readiness with which the official classes admit fears of Russian action, and on their mode of meeting it. But what can be done ?

"I have always felt the extreme political weakness of those who oppose a high-handed and aggressive foreign policy. In 1879 and 1880 I was in hopes that their doctrines had at length got a hearing ; but even before the end of 1880 I saw that they had made little or no way. I will not speak of other parts of the world. The policy now adopted on the N.-W. frontier of India seems to me the contrary of that which was followed from the end of our first wanton and disastrous aggression on the Afghans, to the beginning of our second aggression, equally wanton and not much less disastrous. But I, and others who sympathise with you, can do nothing. We can express our convictions when opportunity occurs, and I, for one, do so. But the voices can only cry in the wilderness. The merest party, or even personal squabble, so far as I can see, interests the House of Commons, and the country, too, more than the gravest affairs of India ; and for some little while past we have been engaged in differences over domestic affairs, which are something more than party squabbles.

"I can only wish you the good fortune your courage and industry deserve in calling attention to that most grave subject."

My appeal in other directions met with responses somewhat to the same effect ; and, as delay must necessarily add to the difficulty of dealing with a situation which is every day becoming more critical while this heavy military expenditure goes on under the policy of 1885, I have deemed it advisable to make the present appeal to the public, and more particularly to those independent Members of Parliament who, in the face of great difficulties, have steadfastly continued to advocate the cause of the Indian people. I make this appeal in the hope that the attention of some might be drawn to the danger of the situation, who may be able and willing to bring about a public discussion on the subject, whence alone can a correct solution of the grave questions at issue be obtained.

J. DACOSTA.

London, 15th February, 1887.

THE
FINANCIAL SITUATION IN INDIA,
AS EXPOSED IN THE
BUDGET STATEMENT FOR 1886-87.

DURING the last twenty-eight years that India has been ruled by a Cabinet Minister, public attention has very frequently been drawn to the financial embarrassments of the Indian Government. Between the years 1862 and 1870, ill-regulated expenditure on public works, led to growing difficulties which culminated in the panic of 1870-71, when a Select Committee of the House of Commons was appointed to inquire into the subject. A number of costly undertakings of the Government, such as the Mutlah Railway, the Madras Irrigation Canal, the Orissa project, and the Godavery Navigation Works, having left most disastrous results, the Committee endeavoured to ascertain on whom rested the responsibility in regard to those enterprises; and finding their questions on that important point met by evasive and argumentative replies from the Indian official who had been specially deputed to give evidence on the subject of public works, a member of the Committee, Professor Fawcett, at last said: "Then who controls the expenditure?" Answer: "The Government as a whole . . . there is no person specifically res-

possible to the public or to the Government for the operations in that department." On hearing this startling assertion, the member continued: "Now we get it clear; this enormous expenditure is going on, it has gone on, it is going on this year to the extent of something like £4,000,000; you have recommended an expenditure of £70,000,000 in future public works £40,000,000 on railways, and £30,000,000 on canals and yet you admit that there is no one in the slightest degree responsible for the manner in which that expenditure is carried out: no one on whom a Committee, for instance, could fasten the responsibility?" Answer: "I entirely admit that, as regards the general control of these great financial operations, there is no person who has that responsibility put on him which should be."

Under so ill-regulated an administration, financial embarrassments became, of course, unavoidable, and the severity of the crisis which ensued was faithfully reflected in the following utterances of the Viceroy:—

"An accumulated deficit of six millions has occurred in the three last years. The permanent debt during the same period has been increased by nearly six and a half millions. The serious and unprecedented course of increasing the burdens of the people in the middle of the year has been taken; the public works have in a great measure been suspended; the Income Tax and the Salt Tax in Madras and Bombay have been increased; the Government has declined to terrify the people by new taxes, and has endeavoured to extricate the Empire from a very great difficulty, by the only mode which it thought it could venture to adopt. The period has been one of great trouble to the Empire and of anxiety to the Government."—(*Lord Mayo's Budget Speech*, 1870.)

"A feeling of discontent and dissatisfaction exists among every class, on account of the increase of taxation that has for years been going on, and the continuance of that feeling is a political danger, the magnitude of which can hardly be over-estimated."—(*Lord Mayo's Despatch to the Secretary of State*, 1870.)

Later on, between the years 1874 and 1880, severe famines desolated several of the provinces, and millions were expended in famine relief, while the revenue from land and the general resources of the country were materially injured. Upwards of five million acres of arable land were abandoned and left uncultivated in the Presidencies of Madras and Bombay, where the Government is the chief landlord, and where the famine was most severely felt. (*See Administration Reports for 1877-78.*) During the latter part of the period mentioned above war was declared with Afghanistan, in consequence of our differences with Russia, and the cost of the military operations which ensued had to be defrayed by the Indian Government.

As the revenues of India, in spite of increased taxation, have only sufficed to cover the cost of the civil administration and of the army in time of peace, all this extraordinary outlay, together with the cost of suppressing the mutinies and rebellion of 1857-58, had to be provided for by loans; and the public debt, which amounted to less than 60 millions in 1858, when the Crown assumed the administration, is stated in 1885 at 173 millions (including $11\frac{1}{2}$ millions of unfunded debt), viz., 104 in India (at 10 Rs. per £) and 69 in England. (*See Statistical Abstract No. 20, page 77.*)

Of this debt, however, $73\frac{1}{2}$ millions are classed under the heads of *Railways and Irrigation Works*, that is, of public works officially designated as *reproductive*. These undertakings were sanctioned on the Government being satisfied that the works would earn at least enough to cover interest on the capital borrowed for their construction. This all-important condition, however, has not been fulfilled, and an increasing burden has thus been laid on the revenues of the country, for defraying the unearned portion of the

interest, an item which is estimated this year at no less than £2,452,400, as may be seen from the Budget Statement at page 16 to 19 of this paper.

Serious as the situation might appear under all these circumstances, it has recently been aggravated to an alarming degree by a rapid fall in the value of silver, and by the large increase of military expenditure, which was suddenly decided on in 1885. On the 6th of August in that year, the Secretary of State, in submitting the Indian Budget in Parliament, observed that the Budget of 1885-86, which had been prepared in March, was "completely knocked on the head," owing to the heavy additional expenditure which the Government considered necessary in consequence of the advance of Russian troops in Central Asia; and that we had in future "to look to a permanent increase of military charge amounting to something like £2,000,000 a year." The actual increase has since been stated at £3,049,700 in the revised estimates of that year; and the disastrous effect which this new policy is producing on the financial position in India is indicated with particular emphasis in the following remarks which occur in the last *Financial Statement* of the Indian Government at paragraphs 24 and 34:—

"To the programme of Railways presented to the Parliamentary Committee in 1884, which was estimated to cost £28,262,000, we were compelled to add in 1885 other works of a military character, which are of so great importance as to take precedence of many of the internal lines previously decided upon, and the cost of which may amount to as much as £12,000,000. Much of the expenditure necessary in this class of military works must remain for ever unfruitful. We were, therefore, compelled in 1885 to submit directly to an oppressive increase of unproductive expenditure; we were compelled to devote our capital to the construction of railways, which will do little to facilitate the extension of the internal trade which has become of the greatest assistance and importance to our revenues; and to do so we were compelled to throw back the construction

of some of our famine railways. The Government has also had to decide upon the addition of a heavy sum to its estimates on account of military establishments. The increase of the effective of the Indian Army has necessitated a corresponding increase in the various army departments."

The peculiar wording in these passages would indicate that the authorities in India were not consulted on the new policy, but were peremptorily required to give immediate effect to it, regardless of any injury to the finances and welfare of the country, which might in their opinion arise from such a course. A policy of this nature could be justified only on the ground of its being essential for the protection of India against foreign invasion; and as the revenues of the country are unable to bear its cost, it becomes urgent to inquire whether such ground has any real existence.

Judging from the great importance which is attached, in the execution of the new policy, to the occupation of Quetta, the completion of the railway leading to it, the continuation of the line towards Candahar, and a simultaneous increase in the Indian army, the policy appears to be substantially identical with that of 1876-80, which involved an advance of our North-Western Frontier into the territories of our neighbours, and received the name of the "Forward Policy."

When that "forward policy" was proposed in 1865, it was supported by the opinions of two gentlemen, Sir H. Rawlinson and Sir Bartle Frere, who had not had the best opportunities of forming a correct judgment on the subject, seeing that neither of them had ever held any post entailing responsibility for the safety of our North-Western frontier in India. The name of Lord Napier of Magdala was afterwards associated with that policy, but obviously without

justification, since his lordship, during the sixteen years that he held offices involving direct responsibility for the safety of India, never advised any advance of our North-Western frontier. It is true that in 1878, two years after his retirement from India, a memorandum was obtained from him, acquiescing in the opinion that, as Quetta had already been occupied, we ought not to recede from it; but his lordship added: "I am not in any way an advocate for advancing into Afghanistan, contrary to the wishes of the Ameer."

It will thus be seen that the "forward policy," which seems identical with the policy now suddenly put into action, was not supported by the opinion of any person entitled to be considered an authority on the subject. At the same time it will be remembered that, while that policy (the principles of which have never been authoritatively declared) proved not only unsuccessful, but literally disastrous, and even humiliating in many of the incidents connected with its execution, views diametrically opposed to it were entertained and declared by the highest authorities ever since our North-Western frontier was acquired.

Lord Dalhousie, in his Minute of 30th April, 1855, stated: "The treaty gives to the Government of India on its western frontier as complete security against a foreign and distant enemy as it is possible for us, in the nature of things, to compass."

When, ten years later, Sir H. Rawlinson's Memorandum was submitted for the opinion of the Government of India, the following were the answers which it evoked from individual members and from the Government as a whole:—

The Lieutenant-Governor of the frontier province, the Punjab, said:

"Does past experience warrant our augmenting our

diplomatic interference in the affairs of those countries? Can we forget our former failure in Afghanistan and its fatal consequences? I cannot regard Sir H. Rawlinson's proposals otherwise than as an untimely revival of the policy of 1838, which nearly ruined the Empire, and the effects of which we have still to get over. They would plunge us into the ever-shifting sands of Central-Asian intrigue at a cost which we cannot afford; they would again prematurely withdraw our troops from their own ground into isolated positions, and again unite against us, as suspected invaders, all the wild passions of an irritated population who, unaroused against us, may at the proper time be turned as our best defence against the common enemy."

The Commander-in-Chief said :—

"I have given my opinion during the last two years on many of the questions suggested by Sir H. Rawlinson in his Memorandum. Thus, I think the argument is complete against a British occupation of Quetta, or an advance on Afghanistan, unless a real *casus belli* should arise in our relations with that country. A great mischief is done by those who, from whatever cause, occupy themselves in preaching the falsehood of our weakness in India. We are simply invincible in that country against all powers in the world, provided only we are true to ourselves."

The Government of India, in its collective reply of January, 1869, to the Secretary of State, said :—

"We think it impolitic and unwise to decrease any of the difficulties which would be entailed on Russia, if that country seriously thought of invading India, as we should certainly decrease them, if we left our frontier and met her half way in a difficult country, and possibly in the midst of a hostile and exasperated population. We foresee no limit to the expenditure which such a move might require. Should Russia ever think of invading India, our true policy, our strongest security, would be found to lie in previous abstinence from entanglements, either at Cabul, Candahar, or any similar outpost, and in full reliance on a compact army within our own territories or on our border."

These were the opinions recorded by Lord Lawrence's Government; and similar views were

entertained by Lord Mayo, judging from his own utterances and actions, as well as from the *exposé* of his policy, written immediately after his death, by Sir John Strachey, who had been a member of his Government.

That the sound frontier policy thus clearly laid down by an uninterrupted succession of responsible officers of experience and acknowledged merit should now, without intelligible explanation, be suddenly superseded by a line of action pointing in a diametrically opposite direction, and involving an expenditure which the revenues of India are simply unable to bear, cannot fail to be a cause of deep concern to all whose attention has been drawn to the subject. It discloses the existence of an irresponsible power unwisely, if not recklessly, exercised, and forebodes the greatest danger to our Indian Empire. Before inquiring into the existence of such a power, it may be useful to estimate the effect of the policy of 1885 on the finances of the country. This might be done by comparing the condition in which those finances stood before the new policy was enforced, with their altered state as affected by its operation. The following figures, taken from the last *Financial Statement*, will enable such a comparison to be established.

The year 1884-85, which closed before the introduction of the new policy, resulted in a deficit of £386,444, and an increase in the permanent debt of £1,193,924.

The revised estimates of 1885-86, the year in the middle of which the policy was put in operation, present a deficit of £2,889,800, and an increase in the permanent debt of £4,013,300.

The Budget of 1886-87, which was entirely regulated by the new policy, shows, by means of £800,000 of

new taxation and the appropriation of £975,400 from provincial balances, a small surplus of £182,200, and, at the same time, an increase in the permanent debt of no less than £9,415,500.

Thus in three years the permanent debt of India increased by more than £14,600,000, whereby £600,000 has been added to the annual charge for interest; and the financial prospect is still darker, seeing that a forecast of the future must be based, not on an average of the three years, but on the result of 1886-87, that being the only year entirely ruled by the new policy. The result of 1886-87 is an addition of $9\frac{1}{2}$ millions to the funded debt of India.

How, with a surplus in the Budget, it became necessary to borrow so largely in the course of the same year, is explained by a memorandum at foot of statement "B" of the official Budget, from which it appears that several millions are annually spent on public works, which are not charged to revenue, and are therefore not included in the ordinary Budget. Such expenditure is entered in a general statement "C," and consists of the following items for the year 1886-87:—

State railways and irrigation works ...	£5,727,100
Special defence works	441,700
Capital charge involved in the redemption of liabilities	4,844,200

It is hardly necessary to observe that if the Indian Government continue thus largely to borrow for the administration and defence of the country in time of peace, it will soon find its credit undermined and itself brought face to face with bankruptcy. And yet, what reasonable grounds are there for expecting better results next year or in years following, so long as the military expenditure decided on in 1885 is maintained,

and the value of silver does not rise, materially and permanently, above the rate of one shilling and sixpence per rupee, on which the Budget of 1886-87 is based ?

A Finance Committee has been appointed in India for devising and suggesting retrenchment, and their report will doubtless result in some reduction being effected in the expenditure of next year ; but we must, for many reasons, guard against any sanguine expectations of relief from that source. In the first place, one is apt, on looking at the official Budget, which this year shows a revenue of £75,798,700, and an expenditure of £75,616,500, to conceive an exaggerated idea of the financial resources of the Government of India. It is necessary, therefore, to be warned that the form in which the Budget is drawn, fails to afford a correct view of the financial situation. Not only is the revenue exhibited in the gross amount, although a heavy expenditure has to be incurred for its realisation, but the total is further inflated by the inclusion, as revenue, of items under the heads of Interest, Post-office, Telegraph, Mint, Railways, and Irrigation Works, while everyone of those items forms a charge on the revenue. Then again the total amount of the expenditure is reduced in the Budget by the appropriation of £975,400 from the Provincial balances, whereby the actual deficit of £793,200 is converted into the apparent surplus of £182,200.

A clearer view of the situation might perhaps be obtained from the annexed form, into which Statements A and B of the Official Budget, so far as they relate to 1886-87, have been recast.

BUDGET

REVENUE.

LAND	...	...	...	...	...	£22,760,300	
Less charges	...	...	...	...	...	3,588,800	
							£19,171,500
OPIUM	...	...	...	...	...	9,227,600	
Less charges	...	...	...	...	...	2,650,500	
							6,577,100
SALT	...	...	...	...	...	6,392,500	
Less charges	...	...	...	...	...	496,600	
							5,895,900
STAMPS	...	...	...	...	...	3,694,400	
Less charges	...	...	...	...	...	153,300	
							3,541,100
EXCISE	...	...	...	...	...	4,134,800	
Less charges	...	...	...	...	...	105,800	
							4,029,000
PROVINCIAL RATES	...	...	...	...	...	2,909,100	
Less charges	...	...	...	...	...	46,600	
							2,862,500
CUSTOMS	...	...	...	...	...	1,173,200	
Less charges	...	...	...	...	...	133,400	
							1,039,800
ASSESSED TAXES	...	...	...	...	...	1,458,100	
Less charges	...	...	...	...	...	58,700	
							1,399,400
FOREST	...	...	...	...	...	1,153,300	
Less charges	...	...	...	...	...	742,300	
							411,000
Carried over	...	...	...	...	...		£44,927,300

of 1886 - 1887.

EXPENDITURE.

CIVIL—Salaries and expenses	...	£12,354,900	
Less receipts	...	1,433,800	
			£10,921,100
Miscellaneous civil charges	...	4,848,600	
Less receipts	...	763,100	
			4,085,500
Civil buildings and roads	...	4,293,900	
Less receipts	...	492,000	
			3,801,900
			£18,808,500
ARMY—Effective and non-effective	...	18,266,000	
Less receipts	...	841,100	
			17,424,900
Military buildings	...	1,155,400	
Less receipts	...	188,100	
			967,300
			18,392,200
INTEREST on debt other than that charged to railways and irrigation works	...	3,886,100	
On other obligations	...	364,200	
			4,250,300
Less interest receivable...			644,200
			3,606,100
POST - OFFICE, TELEGRAPHS, AND MINT	...		2,227,500
Less receipts	...		1,914,100
			313,400
FAMINE—Relief and insurance	...	1,361,300	
Construction of railways	...	109,200	
			1,470,500
Carried over	...	...	£42,590,700

REVENUE—continued.

	Brought over	...	...	...	...	£44,927,300
REGISTRATION	...	...	...	...	£309,800	
Less charges	...	...	...	...	191,200	
						118,600
TRIBUTES	...	...	...	...	...	712,000
TOTAL	...	...	...			45,757,900

DEDUCT direct demand on the revenue :—

Refunds and drawbacks	...	...	207,000	
Assignments and compensations	...		1,301,000	
				1,508,000
NET	...	...	...	44,249,900

DEFICIT provided for as shown below ... 793,200

Portion of Provincial Balances appropriated	...	£975,400	
Deduct above - mentioned			
Deficit	...	...	793,200
SURPLUS	...	£182,200	

£45,043,100

EXPENDITURE—continued.

RAILWAYS—				Brought over	£42,590,700
<i>State</i> —Interest on debt				£3,099,600	
Annuities in purchase				2,301,100	
Miscellaneous expenditure				120,000	
					£5,520,700
Gross earnings				10,841,500	
Working expenses				5,569,100	
					5,272,400
					248,300
<i>Guaranteed</i> —Interest				3,590,900	
Surplus profit, land, &c.				497,500	
					4,088,400
Net traffic receipts				3,133,500	
					954,900
<i>Subsidised</i> —Interest				36,000	
Land, supervision, &c.				69,500	
					105,500
Interest on Capital de- posited by railway companies					412,400
					1,721,100
IRRIGATION WORKS—					
Interest on debt					997,800
Direct receipts				921,300	
Land revenue ascribed to works				555,700	
Receipts from minor works				144,600	
					1,621,600
Working expenses £611,700					
Ditto on minor works				743,400	
					1,355,100
					266,500
					731,300
					£45,043,100

From this form it will be seen that the net revenue and the net expenditure amount, according to the Budget estimates, to only £44,249,100 and £45,043,600, leaving a deficit of £793,200; and that this deficit has been converted into a small surplus in the manner already mentioned. It will also be seen that the items of Interest, Post-office, Railways, &c., which figure in the Official Statement A, under the head of Revenue, actually constitute charges to the aggregate net amount of £6,371,900.

If we now examine the different heads of expenditure we shall find that it is chiefly in cost of the civil administration and the working expenses of the State railways and canals that retrenchment can, under present circumstances, afford any material relief to the Indian Exchequer. As regards the Army, its consolidation under one Commander-in-Chief (a change long advised by the highest military authorities as being calculated to promote both efficiency and economy) should doubtless, if the interests of India alone were consulted, be no longer delayed. At the same time, so long as the policy of 1885 prevails, it seems hopeless to look for any material diminution in the total military expenditure, an item which already CONSUMES ABOUT HALF THE NET REVENUES OF INDIA. Then as regards the allotment under the head of "*Famine relief and insurance*," it would appear from the *Financial Statement* to have been wholly or in part diverted, under the new policy, to the construction of military works; that is, to expenditure which "must remain for ever unfruitful."

Now, in estimating the amount of possible retrenchments, it should be borne in mind that the cost of the civil administration includes £3,812,700 * of Pensions

* Territorial and political pensions	£674,300
Civil, furlough and Absentee allowances	299,600
Superannuation allowances and pensions	2,838 00

£3,812,700

which cannot at once be reduced, and, moreover, that any saving effected through the abolition of posts, would be partially neutralised by the compensation due to the officers removed for such a purpose. Under all these circumstances, and looking especially at the constitution of the Finance Committee, it would scarcely be reasonable to expect a net reduction of more than £800,000 in the Budget of 1887-88.

Such a saving may be entirely swallowed up by a fall in the rate of exchange, seeing that the £800,000 raised by taxation to cover a similar loss this year was found to be insufficient almost immediately after the introduction of the Budget. Let us see, at all events, what view the Government itself takes of the silver question, as affecting the financial position in India; that view will appear from the following remarks which occur in the last *Financial Statement* :—

“The fact that India, whose currency and revenue are in silver, has incurred heavy obligations in gold, has introduced in our financial situation, since the fall of silver commenced, an element which experience shows to be one of the most serious dangers with which Indian administration has been hitherto menaced . . . This difficulty has lately reached a point beyond all previous experience, and it is more felt in proportion as we pursue a more active policy in regard to public works such as military and other considerations have lately led us to adopt. Owing to the oscillation in the silver market, there is now little practical control over surplus, equilibrium or deficit in the Indian Budget, This uncertainty throws doubt and discredit on our financial position and on the sufficiency of our resources, and must tend, therefore, to depreciate our credit in the money market . . . Neither we nor anyone else can feel any assurance of any kind whatever that the rupee will remain at one shilling and sixpence, the rate at which the estimates are framed for the ensuing year . . . Some of the causes which maintain silver at its present price may be removed ; should any of these causes

cease to act, the downward progress of silver prices will probably, for a time at least, be more considerable than hitherto. Hence, there is too much ground for believing that the more hopeful views which may have been entertained from the seeming recoveries of 1880 and 1882, and which still linger in many minds, have now no reasonable basis."

Entertaining such views, the Government are bound to provide, to the utmost in their power, for the risk of unforeseen losses arising from the fluctuations of the silver market in the course of each year. The measures which are now being taken for effecting reductions in the ordinary expenditure, may afford the means of making the necessary provision; but they can scarcely, under the circumstances just detailed, be expected to do more; and yet another important item equally calls for a special provision: it is the ever-growing cost of the civil administration; a growth that all efforts at economy have hitherto been powerless to stop. The charge for the civil departments was £18,051,781 in 1875-76, and £20,118,726 in 1884-85*; and, as the increase arose to a considerable extent in the item of pensions, it has, to such extent, secured no greater efficiency in the service.

In fact the item of pensions, civil and military, already constitutes a charge of six millions on a net revenue of forty-four millions, and threatens, by its rapid growth, to become ere long another source of very serious embarrassment, as the following figures,

	1875-76.	1884-85.
*Salaries and expenses	£10,325,679	£11,743,167
Miscellaneous charges	4,379,910	4,315,929
Civil buildings	3,346,192	4,059,630
	£18,051,781	£20,118,726

taken from pages 80 to 85 of the *Financial Statement*, will show :—

	Army Service. Non-effective. £	Civil Furloughs, Absentee Allowances, Superannuations, and Pensions. £	Totals. £
1875-76	2,282,362	2,375,624	4,657,986
1876-77	2,615,199	2,341,042	4,956,241
1877-78	2,933,713	2,404,607	5,338,320
1878-79	3,037,302	2,609,409	5,646,711
1879-80	3,234,285	2,772,360	6,006,645
1880-81	3,185,498	2,746,792	5,932,290
1881-82	3,425,801	2,731,940	6,157,741
1882-83	3,545,314	2,782,968	6,328,282
1883-84	4,921,267	2,749,987	7,671,254
1884-85	3,755,611	2,807,312	6,562,923

All this growing expenditure is the more disquieting that the revenue has, for many years, ceased to give any signs of elasticity, enhanced assessments having failed to produce any commensurate increase in the collections. The land-tax, from which two-fifths of the State income are derived, produced net £18,589,125 in 1876, and an average of only £18,422,468 during the 10 years ending in 1885; and the prospects of this most important branch of revenue are by no means encouraging. The latest report on the Madras Presidency, which contributes the largest share of the land revenue, says :—

“It is to be regretted that the number of coercive processes increased to the extent of 27,047, or 26 per cent., the number of defaulters whose property was sold being 130,714. Nevertheless, the amount realised was 20 per cent. less than in the previous year, which would seem to indicate a more general poverty among the ryots.”—(*Blue Book* 210 of 1886, page 31.)

Regarding the North-Western Provinces which, after Madras, yield most land revenue, the report says at page 28 :

“The unfavourable season had the effect of increasing

the proportion of the land revenue demand remaining unpaid at the end of the year."

These sentences indicate a deplorable amount of destitution among the cultivators; a state of things ascribable to the over-assessment of the land-tax and which reveals itself, from time to time, in serious agrarian disturbances, such as the Deccan riots and the Rumpia rebellion, or in desolating and wide-spread famines, with their depressing effect on the whole country and their appalling amount of human suffering.

Of the other principal sources of revenue, it may be observed that OPIUM is exposed to eventualities which render it particularly uncertain; SALT already pays a duty of 2 Rs., or (at 18d. per rupee) three shillings a Maund, which is equal to 82 shillings a ton. Therefore, on Cheshire salt costing 10 to 12 shillings a ton delivered on board, and 30 shillings with freight and insurance to India, the duty exceeds 250 per cent. EXCISE has yielded increased revenue of late years, but could not be rendered more productive unless the consumption of intoxicating drinks were further stimulated among a proverbially sober people; and STAMPS are already oppressively high, as will presently appear.

If we now revert once more to the subject of retrenchment, it will more clearly be seen that any reduction of expenditure which is likely to be effected in the Budget of next year, may all be needed to provide for losses from exchange and for future growth in pensions, and in the cost of civil administration; and that the financial situation, so long as the policy of 1885 prevails, must continue to be as precarious as it is at present.

The limit of legitimate taxation in India has already been overstepped, and the only financial resource still

available to the Government, besides loans, lies in the re-imposition of some of the import duties which were abolished some years ago. A step in that direction, however, would imply the adoption of a policy which, at no time since India has been ruled by a Cabinet Minister, has prevailed in the administration of that country; a policy which would hold Indian interests to be paramount, and would oppose the sacrifice of such interests to those of a Cabinet or to any party or class interest whatever. There is nothing to warrant the expectation that a similar policy will prevail, so long as the system of government, established in 1858, endures. This will more clearly be seen from the evidence recorded by the Select Committee of 1873, extracts from which will be found in the appendix hereafter.

Meanwhile, lest any doubt be entertained as to the barrenness of the financial resources which are left to the Government of India, it may be as well to observe that the re-imposition of the income tax, in the present crisis, fully exposes the actual situation, seeing that that impost was condemned by the highest authorities, as being quite unsuitable to the conditions of society in India. Experience has shown that its assessment requires the employment of a host of underlings, over whose actions no efficient control is possible; and that, through bribery and extortion, a very much larger sum of money is taken from the people than ever comes into the coffers of the State. The senior member of the Revenue Board of the North-Western Provinces made the following statement on the subject in the Legislative Council of India in 1871 :—

“ It is, I believe, no exaggeration to say, [that for every man who pays the tax to Government, twenty pay to get off; and for every rupee that is paid into the Treasury, another is paid to the subordinate officials: that is, that the people of India have paid last year upwards of £2,000,000 as Income

Tax to the Government, and upwards of £2,000,000 more in bribes. Everywhere, throughout the country, the people are being demoralised by the tax."

The Government having entertained doubts on the accuracy of this grave statement, directed an inquiry to be instituted on the subject, as complete as its importance deserved, and Sir William Muir, Lieutenant-Governor of the North-Western Provinces, after a careful investigation, replied at great length, and cited numerous cases in support of his conclusions: the substance of his report being that "three-fourths of the officers in the said provinces who had had opportunities of forming an opinion, shared Mr. Inglis's sentiments; and that, with hardly an exception, those officers who possessed most experience and judgment, coincided to a large extent in Mr. Inglis's views and impressions, and, broadly speaking, were at one with him as to a very general prevalence of oppression and corruption."

The feeling in the other provinces may be gathered from the following facts. In Madras, Sir Charles Trevelyan, the Governor, openly resisted the reimposition of the tax, preferring the loss of his appointment and official prospect, to carrying out a measure that had proved to be so frightfully oppressive and demoralising. Mr. Massey stated: "Nothing on earth should induce me to hold office as Finance Minister, if the condition imposed upon me by the Secretary of State was the maintenance of an income tax as an ordinary source of revenue." Sir George Campbell, Lieutenant-Governor of Bengal, said: "The tax falls chiefly on small cultivators and ryots. Among them so strong and bitter a feeling has been aroused, that they threaten to migrate to Nepal"; and Mr. C. H. Campbell, Commissioner of the Presidency Division in Bengal, recorded his strong condemnation of the tax in the following terms: "Since the British connection with India began, no measure has ever

been introduced which caused such deep dislike to our rule."

It is impossible, therefore, to believe that the Government of India would, after such experience, have reverted to a measure so demoralising and financially defective, had a less objectionable resource been available for satisfying the exigencies of their situation. It is obvious at all events that direct taxation has already been carried beyond the limits prescribed by prudence and sound policy; and, as regards indirect taxation, it is not generally known that even the administration of justice has been turned to account for supplying the wants of the Indian Exchequer. The last parliamentary paper on the *Moral and Material Condition of India* contains, at page 15, the following statement, which will doubtless be read by many with surprise and concern :—

"It is worthy of notice that, while the sale of Court fee stamps in 1884-5 realised very nearly Rs.25,000,000, the whole expenditure incurred by the Government for law and justice was scarcely in excess of Rs.33,000,000, of which over Rs.7,500,000 represented the cost of jails and convict stations, and nearly Rs.9,000,000 the cost of criminal courts. Thus it appears that civil suitors in India, fully paid, and in some provinces much more than fully paid, for the cost of all the courts and establishments for dispensing justice."

The unavoidable conclusion from all the facts mentioned in the foregoing pages, is that, unless a very considerable reduction be made in the expenditure of the government of India, an equilibrium in its finances can be maintained only by loans. On the other hand, it would be an insult to common sense to contend that a fertile country like India, proverbially rich in products, teeming with an industrious, thrifty, and docile population, could not be duly administered with such financial resources as an intelligent, zealous, and thrifty govern-

ment may obtain from the country, without imposing oppressive taxation or having recourse to the extraneous aid of loans.

A Secretary of State for India may individually be intelligent; but are the conditions on which he assumes the government of India such as to call for the exercise of his intelligence in favour of thrift and of zeal for Indian interests? Let us briefly review those conditions.

When the East India Company was abolished, the enactment which transferred the government of India to the Crown (Act 106 of 1858), vested all the powers of the Company and those which had been exercised by the Board of Control, in a Secretary of State, subject *apparently* to certain restrictions. The Council of India, with its seat in London, was created by the same enactment, for aiding and advising the Secretary of State; and its members were to be appointed for life, in order to secure to them that degree of independence in the discharge of their duties, which judges enjoy under a similar condition. Section XLI. of the Act provides that no grant or appropriation of any part of the revenues of India shall be made without the concurrence of a majority of votes at a meeting of the Council. Sections XXIV. and XXV. provide that every order or communication proposed to be sent to India shall previously be submitted to the Council, and that, if the majority of the Council are against the act, and the order does not involve any expenditure of Indian revenue, the Secretary of State shall, if he do not defer to the opinions of the majority, record his reasons for acting in opposition thereto.

These restrictive clauses, however, are rendered nugatory by other sections of the same Act. Section XXVI. relieves the Secretary of State of the obligation of consulting his Council whenever it should appear to

him that the despatch of an order or communication not concerning the expenditure of Indian revenue, is urgently required. In such cases of urgency he has only to notify to his Council, afterwards, his reasons for not having consulted them ; and of the validity of such reasons he alone is to be the judge. Moreover, Section XXVII. provides that any order which, under the previous *régime*, might have been sent by the Board of Control through the Secret Committee of the East India Company, may be sent without being communicated to the Council, and without any reason being notified for the adoption of such a course.

Now, an order sent under the last-mentioned Section, while it might not, in form, constitute a grant or appropriation of money, may, nevertheless, involve a large expenditure of Indian revenue : for instance, an order to declare war or to do any act calculated to lead to hostilities. The security, therefore, which Section XLI. seems to afford to the revenues of India is virtually destroyed by Section XXVII. ; and it must also be observed that any degree of independence which Parliament intended to confer on the Council of India, when it provided for its members being appointed for life, has likewise been destroyed by a subsequent enactment empowering the Secretary of State to appoint members for five years.

Then the Indian Councils Act of 1861 was long interpreted, both by the authorities in India and by the public generally, as placing certain restrictions on the power of the Secretary of State, by conferring a degree of independence on the Governor-General of India in Council, when sitting with additional members for the purpose of making laws. Such an interpretation, however, was ultimately disavowed by the Secretary of State, who thus laid down, in his despatch of 24th November, 1870, the principle on which India is ruled from home :—

“ That principle is that the final control and direction of

the affairs of India rest with the Home Government, and not with the Authorities appointed and established by the Crown, under Parliamentary enactment, in India itself."

"The Government established in India is (from the nature of the case) subordinate to the Imperial Government at home. And no Government can be subordinate unless it is within the power of the Superior Government to order what is to be done or left undone . . . Neither can I admit that it makes any real difference in the case, if the directions issued by the Imperial Government relate to what may be termed legislative as distinguished from executive affairs. It may be quite as essential, in order to carry into effect the views of the Imperial Government as to the well-being of Her Majesty's Indian dominions, that a certain measure should be passed into law, as that a certain act described in common language as executive should be performed. But if it were indeed the case, as your argument would represent it to be, that the power of the Imperial Government were limited to the mere interposition of a veto on Acts passed in India, then the Government of the Queen, although it could resist the passing of an injurious law, would be helpless to secure legislative sanction for any measures, however essential it might deem them to be, for the welfare or safety of Her Indian Empire. . . . The Imperial Government cannot indeed insist on all the members of the Governor-General's Council, when assembled for legislative purposes, voting for measures which may be proposed, because on such occasions some members are present who are not members of the Government, and are not official servants of the Crown. But the Act which added these members to the Council for a particular purpose, made no change in the relations which subsist between the Imperial Government and its own executive officers. That Government must hold in its hands the ultimate power of requiring the Governor-General to introduce a measure, and of requiring also all the members of his Government to vote for it."

It was by this despatch of the Duke of Argyll that the relative positions of the Indian Secretary of State and the Government of India were finally settled, leaving to the former the SUPREME CONTROL OF THE ADMINISTRATION, THE ARMY, AND EVEN THE LEGISLATURE OF INDIA.

The Indian Secretary remains of course responsible

to Parliament, but the illusory nature of such responsibility has long been obvious from the indifference, nay, the actual repugnance, which Parliament has invariably evinced to discuss Indian affairs when they involved no party question or home interest. Those who have attended the House of Commons when the Indian Budget was submitted in Parliament, were struck by the very small number of members present, although the occasion is one which offers the most convenient opportunity for inquiring into the condition of things prevailing in that country. When these facts are considered, it will at once be evident that INDIA, SINCE 1858, HAS BEEN RULED BY A POWER VIRTUALLY IRRESPONSIBLE.

And by whom has that irresponsible power been exercised over two hundred millions of people whose destinies Providence confided to the British nation, and whom we solemnly pledged ourselves to protect? —By a person unacquainted with India, and selected without any regard whatever to his fitness for the duties for so important a post. After this, can any wonder be felt at the general extravagance, the oppressive taxation, the disastrous speculative enterprises, the unwise and, at times, unprincipled legislation, the financial crises, and the appalling famines which have so conspicuously marked the course of our Indian administration during the last twenty-eight years? Can, moreover, any doubt be felt as to the fatal end to which we are being rapidly carried by a similar course?

The need for reform has often been talked of, but has an executive ever been known to reform itself?

Reform is produced only by external pressure, such as in England is exercised by public opinion acting continuously through the medium of Parliament; and the effect of this continuous action has been to prevent,

by gradual reform, the violence and convulsions which have attended reform under less favourable circumstances. But India has no parliamentary representation, and, as public opinion does not possess the same means there as exist in this country for making its voice heard, it has very little influence with a government directed from a distant land, supported by all the power of Great Britain, and fortified, moreover, with legislative functions in addition to its legitimate attributes.

It is only through a strong expression of public opinion in England in favour of sound organic reform in the Indian administration, that the imminent danger to India can be averted. Nothing, therefore, that could arouse public attention to the existing state of things should be left undone by those who have at heart the welfare and safety of our Indian Empire.

LONDON, *February*, 1887.

P.S.—Before taking leave of the reader I would earnestly draw his attention to the valuable evidence which has been recorded by the Select Committee of 1873, on the characteristic point in the form of Government organised in 1858. The short extracts from that evidence which are appended to this paper may meanwhile serve to throw some light on the broad lines of reform which have been advocated by a succession of eminent statesmen during the last sixty years. The decentralisation of the finances is the key which they propose for the solution of the problem, and the latest official expression of opinion on that subject is contained in a Resolution of the Government of India, dated 30th

September, 1881, in which it is stated :—"A very important question is intimately connected with the scheme for the decentralisation of finance, namely, the development of self-government. Allusion was prominently made to this point in the resolution of December 14th, 1870, in the following terms : *Beyond all this there is a greater and wider object in view. The operation of this resolution will afford opportunities for developing self-government.* The Governor-General is of opinion that the time has arrived when further practical development may be afforded to the intentions of Lord Mayo's Government, and that the provincial agreements should no longer ignore the question of local self-government."

This intention to develop local self-government, which is inseparable from popular representation, received, however, but little practical effect from the Government of India ; and it may be useful here to observe how baneful is the quasi-autocratic rule imposed in 1858, seeing that, while it exposes India to all the evils attaching to irresponsible power, it makes it impossible for the best intentioned and most enlightened Secretary of State to secure any permanent protection to the country. "We have no power," said Lord Salisbury, "to give permanent force to any policy. Can we enact that our successors shall do that which we are not doing—forebear from altering their predecessors' work ?" It seems useless, under such conditions to press the Government of India or the Secretary of State for measures of Indian administrative reform, seeing that all such measures must be protected by a Parliamentary enactment before they can possess any element of permanency.

J. D.

APPENDIX.

Extracts from the Minutes of Evidence of the Select Committee of 1873.

THE following evidence was given by Sir Charles E. Trevelyan, whose official career in India commenced in 1826, and who, after some years of employment in the Treasury in London, returned to India as Financial Member of the Viceregal Council, and again as Governor of Madras, retiring ultimately only a short time before he was examined by the Committee. Few men, therefore, have had such opportunities of forming a correct judgment on questions relating to the civil administration and the finances of India :—

“ 415. The Queen’s Government has been earnestly desirous to do justice to its great task ; but it has entered upon its charge with something of the excess of zeal of a person who has come into office with a strong impression that a great arrear of improvement has to be brought up. Whenever a clear case has been made out for any administrative improvement, however expensive, it seems to have been accepted quite as a matter of course that it should be done, and done at once, without much regard to its effect upon the finances. In short, the spirit of the new *régime* has been high-minded, open-handed, munificent ; and it is remarkable that all this was foreseen, and safeguards were attempted, but without success.”

“ 417. The direct action of the popular Government of England, brought to bear immediately upon the administration of India has been altogether too strong. When people spend their own money, they generally look well after it ; when they spend other people’s money, they are generally inclined to be liberal ; and that is what has taken place here. It is the English Government spending the money of the people of India under all these influences, and the new machinery of Government has provided no effectual check against it ; and therefore I state, as the first and most powerful cause of the deranged state of Indian finance, that no sufficient barrier exists against official or popular pressure, or against the greed of class interests.”

"545. I do not see how the Council of India could be so modified as to form a body who will protect the interests of the Indian taxpayer. All was done to erect the Council into a body such as we are speaking of, and it has all failed. The utmost limits of *quasi*-independence were given to the Council. We could not have gone further, without making them masters. They were given a life tenure, like the judges, and an exclusive power of directing payment out of the revenue. I do not see what more could have been done : and all that has failed ; therefore, I do not look to any improvement of the Council for a remedy. What I look to is that these facts should be known to the people of England, who are actuated, as a body, by a sense of justice and fair play, and when the facts are known, I feel sure that they will take care that our future proceedings shall be an improvement on our past proceedings.

"546. The true remedy is to put the raising and the spending of the money into the hands of the people of India themselves.

"547. I would propose a more full development of a change which has been in progress for some time, namely of decentralisation."

"588. The Council of India is a secret, silent body. However much they may object to particular proceedings, the decision is come to and promulgated, without their being heard outside the walls of the India Office."

"591. At present we have no means of knowing the truth of any matters connected with India, except through the exposition of the Secretary for India, or the Under Secretary, in the House of Commons, neither of whom has ever been in India, and who must derive their information entirely at second-hand ; and more than that, the House of Commons has no means of forming a judgment upon proceedings connected with India, until those proceedings have actually taken effect, and it is too late to remedy them."

"618. The East India Company, which founded our Indian Empire, while they abolished the most oppressive of the old taxes, and endeavoured to regulate those that remained, carefully abstained from new taxation.

"619. This ought certainly to be the cardinal principle of our financial administration, until we have finally remitted the income and expenditure into the hands of the people of India themselves, by a proper system of local administration ;

whereas, in fact, since the mutinies we have been doing nothing else except inventing new taxes. We seem to have forgotten all at once the old maxim, that the true plan is keeping down expenditure, and to have exercised our ingenuity in inventing, and discussing, and elaborating all sorts of new taxes—tobacco tax, succession duties, marriage tax, and all sorts of taxes.”

“631. If an inexperienced person is appointed Secretary of State for War, or First Lord of the Admiralty, or at the head of any other English administration, he has an extremely well-instructed House of Commons and the whole of the English tax-payers to watch him; whereas, if an inexperienced person is placed at the head of Indian affairs, he has nobody to look after him.”

“855. The decentralisation of the finances is the key to the solution of the whole problem. It is not a new idea; it was an early aspiration of our Indian administrators, and has had a gradual development. It was soon perceived that it was simply impossible that the whole of that great country could be administered on the principle of centralisation, and, as early as Lord Amherst’s time, an Act was passed by which local funds were established, and it continued until it became necessary to re-absorb the funds into the fisc, in consequence of the financial difficulties arising out of the first Burmese war. While I was minister of finance the Government transferred various sources of income to be administered by the local governments. Mr. Laing and Mr. Massey had the same aspirations. The final application of the principle, which has now to be acted upon and practically considered, was Lord Mayo’s resolution of the 14th December, 1870.

“856. It is an excellent first step, but it is of a provisional and imperfect character. It is open to this objection, that no self-adjusting principle is provided between the services which have been transferred to the local governments and those which have been retained by the central government, or rather between the funds applicable to each. There are also other defects.

“857. The real administration of India is vested in the local governments; for all practical administrative purposes they are the major, and the supreme Government is the minor quantity. Instead of attempting to define what the local governments should do, the process ought to be reversed. The functions of the supreme Government should be defined,

and everything not included in that definition should be left to the local governments."

"863. I am of opinion that, as in other countries where the same principle has been carried out, representation should be commensurate with taxation. I think that there ought to be, first, provincial councils at the chief seats of the eight local administrations. Then there should be zillah or county councils, and lastly there should be town and village municipalities, and the principle of direct election should be introduced within such limits as may be safe and expedient.

"864. We should work up to actual election, and we have had experience enough to show that it is quite practicable."

"866. The people of India have been prepared for this development by ancient habitude and recent cultivation. The foundation of Indian society is the village municipality. . . . The natives are by no means deficient in public spirited liberality; the country is covered with ancient works, tanks, caravanserais, and works of various kinds, which have been constructed by individual munificence. . . . If councils were merely consultative, the members would never become emancipated from the control of the European official presidents. The natives should not be made to go always in leading strings. It is the old story of not allowing a boy to go into the water till he can swim; he never will learn to swim unless he goes into the water and incurs a little risk and paddles about. At first, no doubt, they will be timid and frugal; but a little done willingly is better than a great deal done under compulsion, or done for them. Give them the raising and the spending of their own money, and the motive will be supplied, and life and reality will be imparted to the whole system. All would act under a real personal responsibility under the eyes of those who would be familiar with all the details, and would have the strongest possible interest in maintaining a vigilant control over them; and it would be a school of self-government for the whole of India—the longest step yet taken towards teaching its 200 millions of people to govern themselves, which is the end and object of our connection with that country."

"890. First of all, I would speak of the right of India to raise her revenue in the manner most convenient to herself. As India provides in the fullest manner for all her expenses, she ought to have the same privilege, which is accorded to the British Colonies, of levying the amount in the manner most convenient to herself. We bear with Canada and

Australia when, with a more or less covert view to protection, they impose duties which are decidedly injurious to British trade ; while, on the other hand, we do not permit India to levy even ordinary moderate revenue duties. We ought not, in such cases, to have one law for the weak, and another for the strong ; or rather, we ought not, either in justice or policy, to take advantage of the circumstance of our having at present entire control over a country of great latent strength, a country which has a great future before it, to do to India what we should not venture to do to Canada or Australia, or even to the Cape or New Zealand.

“ 891. Indirect taxation is still so much in vogue in England, that we raise about four-sevenths of our revenue from consumable articles which by habit have become necessities. . . . The native alternative for the income tax is always some form of indirect taxation, and the Imperial policy coincides with popular predilection. Administering, as we do, a foreign government, which can never have a strong hold upon the affections of the people, or an intimate acquaintance with their circumstances, which is best for us ?—an easy-going self-acting system to which the people have long been accustomed, or one which is totally unsuited to their character and habits and is singularly odious to them ?—It matters less now, but wait till another crisis comes, and see how it will be then.”

“ 893. I consider that, in the next degree to the income tax, the license tax in the hands of the central Government is extremely odious. If the charge for each license is put high, then it becomes unequal and oppressive: if it is put low, then it is unproductive. But I consider that the impost is suited to municipal taxation, because there the people have the management of their own affairs, and they can make it equal because they are familiar with all the circumstances which have to be considered in assessing the tax.”

“ 950. With regard to the Council of India, I pointed out that a new profusion has characterised the administration of the finances of India since it was transferred to the Crown. I have also pointed out various grave instances of questionable expenditure, and I find that the Council of India has not opposed any check upon this profusion and these questionable expenditures, and therefore I say that the Council of India has failed to exercise that check which it was intended and hoped that it would exercise.

"953. I have pointed out a policy of profusion and a series of transactions of a cognate character, which not only I, but various other people of greater authority than myself, consider very objectionable; and I see that the Council of India, notwithstanding all the guarantees introduced into the constitution of the Council, have failed to oppose a check to those transactions."

"981. The East India Company was the founder of our Indian Empire, and the whole period of the administration of the Company was a period of construction of that Empire; so that the expenses of the wars out of which that Empire originated, were continually pressing upon them; therefore they were often in deficit, although on two or three remarkable occasions, by the exercise of strict economy, a surplus was produced; but the observation that I have to make is that, if it had not been for this habitual frugality of the Company, they could never have done what they did—they never could have constructed that Empire."

"1160. Reverting to the Council of India, I see danger in making the debates of the Council open to the public and the press. The Council are sitting in the midst of English interests. The Councillors naturally care most for those with whom they are in daily communication, whose good opinion is the greatest object to them, and they are naturally influenced by the opinions which prevail around them; and I should fear that, if the debates of the Council were thrown open, it would only strengthen those class interests which the Council was intended to guard against. I think that the interests of Manchester and the City would be strengthened by it, and that the case would be worse than ever.

"1161. I think that if the Council were held in India instead of England it would be different, because the surroundings and the prevailing influences would all be Indian.

"1162. Yes; I think that the provincial Councils, where every financial proposal would be discussed, would be the best safeguard. I conceive that if the finances of India were decentralised and reconstructed, with the infusion of a strong popular element, round the eight local centres and the central Government, then the finances would be placed on a solid basis; and although there would be a transition period and the security would be by no means perfect at first, yet there would be a steady, wholesome growth in the right direction."
